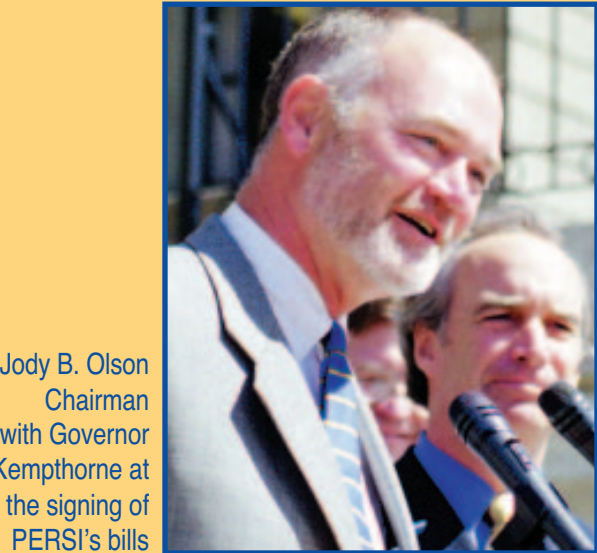


A Message from the Chairman, Jody B. Olson

PERSI, Governor & members celebrate creation of new pension benefits for public employees



Jody B. Olson
Chairman
with Governor
Kempthorne at
the signing of
PERSI's bills

Pam Ahrens, and particularly, Kirk Sullivan, who spent a considerable amount of time on these issues. I thank PERSI's Executive Director, Alan H. Winkle, and his staff for their research and knowledge. A great deal of thanks goes to Senator Dean Cameron and members of the Legislative Interim Committee on PERSI for their work and support. Governor Kempthorne also provided valuable support. And, thank you to all you members who contacted me, PERSI, or our state legislators on behalf of the legislation. We couldn't have done it without you. ♦

Governor Kempthorne (right) shows his appreciation to a group of public employees (below) before signing legislation improving PERSI benefits. More photos inside.



Several major benefit improvements for PERSI members were passed by the legislature this year, and as a result, I think you'll agree with me that this is a wonderful time to be a PERSI member! We can provide new gains sharing benefits where active members, retirees and employers all win. In addition, we are improving and expanding services and benefits in the areas of disability retirement, unused sick leave accounts for all employers, and voluntary purchase of service. Please take a few minutes to read about the new benefits. I believe you will be more than pleased with all the areas of improvement.

I would like to take a moment to thank people without whom we might not have these new benefits. I thank my fellow trustees, Susan Simmons, Dennis Johnson,



New laws bring new and improved benefits and services for PERSI members and employers

Improvements include: gains sharing, eased disability requirements, expanded unused sick leave

Gains Sharing Plan HB 510

www3.state.id.us/oasis/H0510.html

This bill creates a new, potentially very valuable, benefit for active members, retirees and employers. Now that PERSI is overfunded we are in a position to share future excess earnings with you through a new "gains sharing" plan. Gains sharing is in addition to current benefits. Other benefits would not change. Gains sharing could mean \$50 to \$500 million is shared with members and employers any given year. For individuals this could be several hundred or several thousand dollars each year.

How Gains Sharing Works

PERSI's Fiscal Year (FY) ends each June 30. At the end of each fiscal year the Retirement Board will determine if PERSI's funding is adequate to handle all benefit payment and other expenses. The Board has the responsibility to ensure PERSI is on a solid funding base before granting gains sharing. This means that if the Board has reason to believe it needs to retain funds instead of paying gains sharing for a given year, they must do so.

Generally, if funding is stable and there are no major expenses to PERSI in a particular year, our investments would need to earn over 8% per year for gains sharing to occur. In FY 2000, because the 2% multiplier benefit enhancement legislation passed, costs to the system have increased some \$150 million, therefore, PERSI will need to earn an estimated 11% for gains sharing to occur in January 2001. **At this time, we have no way of predicting what our return will be for this fiscal year, and therefore cannot say if there will be gains sharing in 2001 or not.**

How Much You May Receive

For active members gains sharing could mean several hundred or several thousand dollars for you each year, depending upon PERSI's funding and your account balance. For retirees it could mean receiving a one-time increase of one to three times your monthly benefit in one check. For employers it could mean a significant one-time credit or they may not have to pay any contributions to PERSI for a particular year.

When Gains Sharing Distributions Will Occur

Each summer, PERSI's earnings and funding stability will be evaluated. Distributions, if any, will be paid the following January. Payments will be done in January so that members who are contributing to voluntary supplemental retirement plans (401k's, 403b's, 457's) will know how much they can contribute for the upcoming year without going over IRS limits.

How Gains Sharing will be Distributed to Active Members

- PERSI will set up individual Defined Contribution (DC) Choice accounts for all active members. (A DC plan is a supplemental retirement savings plan, such as a 401(k), 403(b) or 457 plan.) In years when there is excess funding, PERSI will make a deposit into these new DC Choice accounts. If funding is adequate for FY 2000, the first distributions will occur in 2001.
- As an active member, you will receive an allocation

New PERSI legislation continued from page 1

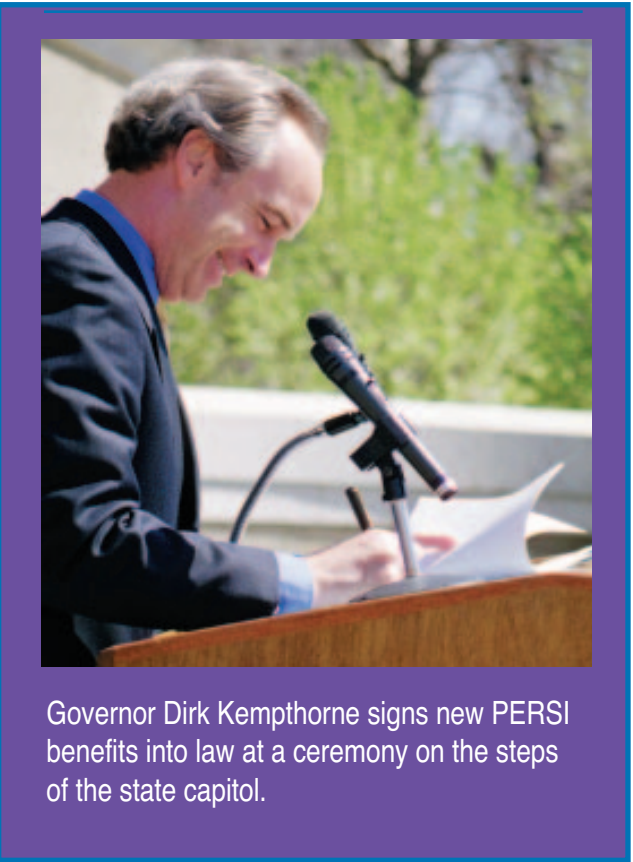
- based on your account balance in the PERSI plan.
- You will have the option of investing the gains sharing in the PERSI funds or other offered investment choices. We do not yet know exactly what type of plan or investment options will be available. Over the next nine months, we will work on establishing the plan, obtaining contracts with record-keeping and education vendors, and setting up the additional accounts for all members. As we know more, we will let you know.
 - You may also make additional voluntary contributions to the DC Choice account (subject to IRS limits).
 - Members must have 12 months of membership service at the end of the fiscal year (June 30) to be eligible for gains sharing for that year.

How Gains Sharing will be Distributed for Retirees

- Retirees will receive a gains sharing allocation based on their current PERSI DB Base benefit.
- Payment will be a one-time addition to their January regular monthly benefit. This one-time addition may occur each year, depending on how well investments do.
- Retirees will continue to receive annual Cost of Living Adjustments (COLAs) each March. Gains sharing is in addition to the COLAs.

How Gains Sharing will work for Employers

Employers will receive their allocation in the form of a credit toward contributions payable during the following calendar year. The allocation will be based on the amount of their contributions to the plan the previous fiscal year compared to all employer contributions to the plan.



Governor Dirk Kempthorne signs new PERSI benefits into law at a ceremony on the steps of the state capitol.

Other new laws for 2000:

Multiplier Increase HB 511

www3.state.id.us/oasis/H0511.html

This bill raises the retirement benefit formula multiplier from 1.917% to 2.0% for general members and from 2.225% to 2.3% for PERSI firefighters/police officers. This improves retirement benefits by about 4.3% for members retiring on or after July 1, 2000. This increase can be done without changing contribution rates because PERSI is now over 100% funded.



Disability SB 1404

www3.state.id.us/oasis/S1404.html

This bill made two significant changes to PERSI's disability retirement eligibility requirements.

- It reduced from ten to five the number of years required for a member to be eligible for disability retirement.
- It also allows general members to be eligible for disability retirement from the first day on the job if the disability is due to **occupational causes**.

Unused Sick Leave for Political Subdivisions HB 402

www3.state.id.us/oasis/H0402.html

PERSI administers unused sick leave accounts for state, school district, and junior college employees. At retirement, members may convert a portion of their unused sick leave into a monetary amount to pay medical insurance premiums tax-free until the account is exhausted.

This bill allows PERSI to administer an unused sick leave pool for political subdivisions who wish to participate providing them a way to make the payments tax-free for retiree medical insurance premiums.

Unused Sick Leave for State Employees SB 1390

www3.state.id.us/oasis/S1390.html

This bill increases the maximum amount of unused sick

leave that State employees may use for their unused sick leave account to 600 hours. It is only effective for those who retire after June 30, 2000. Unused sick leave may be used to pay health insurance premiums in retirement until the unused sick leave account is depleted.

100% Funding HCR 37

www3.state.id.us/oasis/HCR037.html

This affirms that PERSI should strive to maintain 100% funding plus a reserve sufficient to stabilize the contribution rates against the effect of possible poor investment years.

Technical Corrections HB 401

www3.state.id.us/oasis/H0401.html

This bill made minor corrections to existing law:

Confidentiality of Member Records correction

- Clarified that member information is confidential and may not be disclosed except as provided by the Idaho public records act.

Firefighter Retirement Fund (FRF)

- Corrected a date in Idaho Code 72-1432 (from August 30 to 31).
- Amended Idaho Code 72-1442 so that it is consistent with Idaho Code 72-1447 and section 415 of the Internal Revenue Code.

Purchase of FRF Layoff Time HB 593

www3.state.id.us/oasis/H0593.html

This law allows FRF members who were laid off between 1978 and 1981 to purchase the service toward their retirement. Members will pay the full actuarial cost themselves. The employer may participate in the purchase if desired. Approximately 20 people are affected by this.

Purchase of Service HB 717

www3.state.id.us/oasis/H0717.html and

Purchase of Military Service HB 657

www3.state.id.us/oasis/H0657.html

See Purchase of Service below. ♦

Purchase of Service HB 717 www3.state.id.us/oasis/H0717.html

Purchase of Military Service HB 657 www3.state.id.us/oasis/H0657.html

These bills allow **active, vested** members to purchase up to four years of PERSI service. With HB 717, you may purchase service for whatever reason you want. No proof of service is required. Military service requires proof of time served. You cannot buy military and airtime for eight years. You may only buy four years total.

Purchase of service is very expensive. Rough estimates put the cost between \$25,000 - \$120,000 to buy four years,

depending on salary. It is not based on a percentage or employee or employer contributions. There is a calculation involved. Basically, if adding service increases the present day value of your retirement benefit by \$75,000, you must pay \$75,000 for the purchase. Eventually, during retirement you may earn more back than what you paid due to earned interest. The full actuarial cost must be paid before retirement.

We are developing spreadsheets and hardcopy worksheets so that you may figure out for yourself what a purchase does to your benefit and how much it will cost. The spreadsheet will be posted on our website as soon as possible (www.persi.state.id.us/forms). Please check the website in mid-May. **Please do not call PERSI at this time. Until the spreadsheets are ready we are not able to calculate purchases.** Purchases may not be initiated until July 1, 2000. ♦

Gains sharing Questions & Answers

We’ve received hundreds of calls on the new gains sharing plan. Here are some of the more common questions.

Q: How will PERSI determine if there will be gains sharing?

A: PERSI’s fiscal year ends June 30. That date will be used to determine PERSI’s funding level for the year. Each summer the PERSI Board will determine, based on the funding level, if there will be gains sharing for the year. Their decision will take several factors into account: How much did PERSI’s investments earn during the year? How much did PERSI’s liabilities grow during the year? Is there enough funding to absorb any possible sudden, unexpected drop in the stock market? How is the economic outlook for the coming year? Were there any legislative changes to the plan during the year that affect funding? The Board is highly motivated to grant gains sharing whenever possible, but as fiduciaries responsible for ensuring the stability of the fund, they have the authority to withhold gains sharing in any year they determine it is not prudent to make distributions.

Generally, if investments earn over 8% a year, and there are no major liability or legislative changes, gains sharing should occur. This year, because the 2% multiplier benefit improvement was approved by the legislature, PERSI has a \$151 million liability increase. Because of this, PERSI investments must earn an estimated 11% this year for gains sharing to occur.

Q: When will I get my gains sharing money?

A: Gains sharing may or may not occur every year. The Board will make a determination each year (see above). If gains sharing payments are to be made for a given year, payments will be made the next January. For example, in September of 2000 the Board will determine if our Fiscal Year 2000 funding levels were sufficient to allow for gains sharing. We will inform you if there will be gains sharing via our website as soon as we know, and by newsletter as quickly as possible after the Board decides.

Payments will be made in January so that members who voluntarily contribute to 401(k) and other retirement savings plans will know how much they can contribute for the year without exceeding IRS limits.

Q: How will I receive my gains sharing money?
A: PERSI will set up individual gains sharing Defined Contribution (DC) Choice accounts within the PERSI trust for each eligible member. You will have two PERSI accounts - your PERSI Defined Benefit (DB) Base account, and your new DC Choice account.

Your PERSI DB Base account will continue to build and earn interest like it always has. This account will be for your regular PERSI retirement.

Your new DC Choice account will contain your gains sharing payments and you will be able to make voluntary contributions to this account. You will be able to direct for yourself how these funds are invested within several investment options. More information on this will be made available as soon as plan options are determined.

Q: How much will I get?
A: Gains sharing amounts will be based on the amount in your PERSI DB Base account. Payments may range from a few hundred to several thousand dollars per person. The IRS requires us to limit payments to a maximum of 25% of your gross salary or \$30,000, whichever is lower. We will make more information available as soon as possible.

Q: I’ve been a PERSI member for years so I’ve earned my gains sharing. Will someone else who just starts working this year receive gains sharing?
A: To receive gains sharing for any given year, an employee must have been employed at least 12 months as of June 30 each year. Therefore, anyone with less than 12 months would not be eligible for gains sharing that year.

Q: I’m thinking of retiring this year. How will gains sharing work for me?
A: If you are an active member on June 30 and retire after that, you will be eligible for gains sharing (if any) as an active member that year. The next year you would be a retiree on June 30 so you would receive the allocation (if any) under the retiree process.

Q: I’m a teacher thinking of retiring this year. How will gains sharing work for me?
A: Most teachers retire September 1. A teacher who is active on June 30, and retires effective September 1, would

get gains sharing (if any) under the active member allocation as of January 2001.

Q: What if I’m an active member as of June 30, but then quit and withdraw my money?
A: Gains sharing payments will be made the January following June 30. If you withdraw your PERSI money before the January payout, you cease being a member, and therefore will NOT receive gains sharing.

Q: What if I’m an active member as of June 30, quit, but leave my money in PERSI?
A: If you were active and eligible for gains sharing as of June 30, quit and leave your money in PERSI, you will receive a gains sharing deposit (if any) in January.

Q: I’ve been an inactive member for several years. Do I get gains sharing?
A: No. The law states that you must be an active PERSI member on June 30 with 12 months of service to receive gains sharing.

Q: Will I be able to withdraw my gains sharing money?
A: No, you cannot withdraw your gains sharing money unless you quit work or retire.

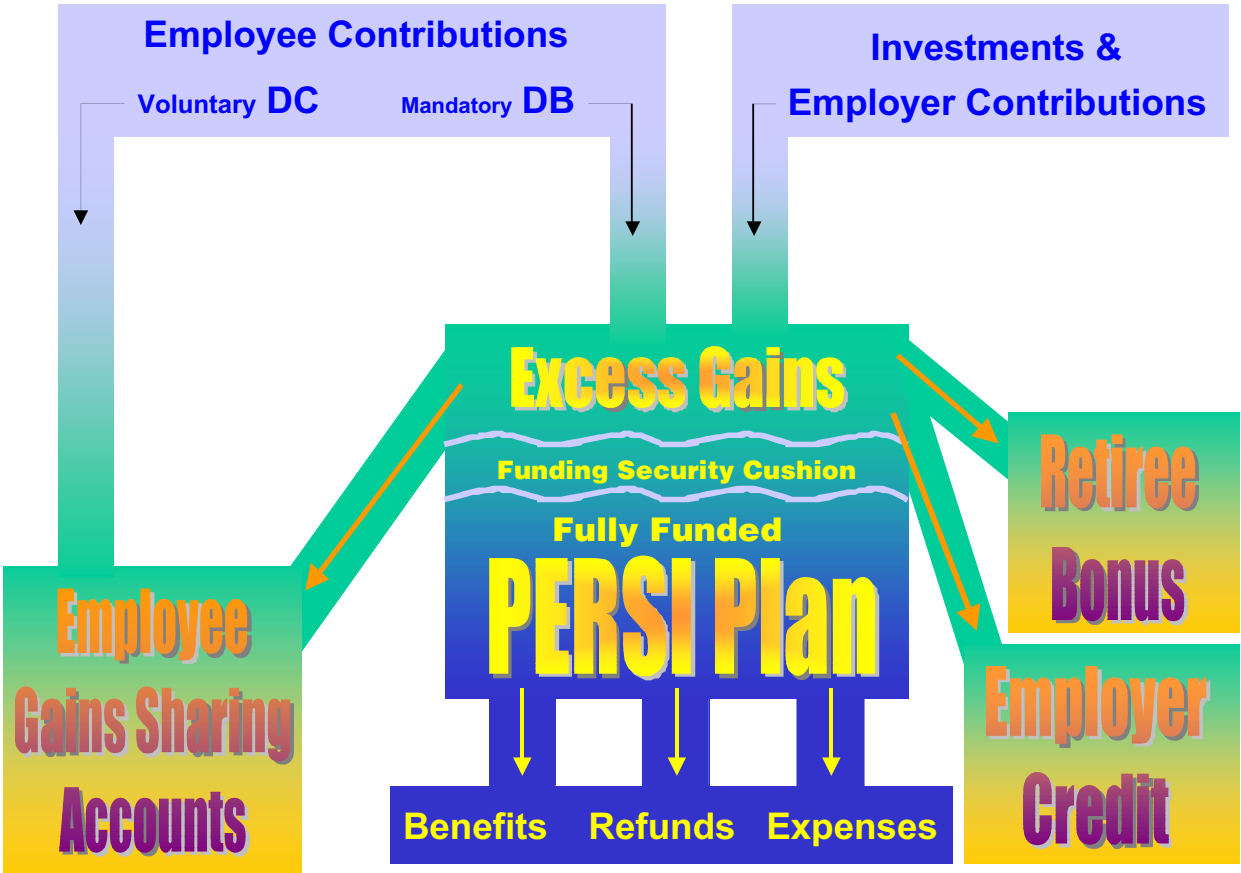
Q: Can I take a loan from my gains sharing account?
A: Not initially, but possibly in the future.

Q: Can I put my gains sharing money into my regular PERSI account to improve my retirement benefit?
A: No. You may not add your gains sharing funds to your PERSI DB Base account. Even if you could, it would not increase your DB retirement benefit because it is not based on your account balance. It is based on your years of service, salary and age. When you retire, you may use your DC Choice account to supplement your retirement.

Q: Can I use my gains sharing money to purchase service?
A: No. You must be an active member to purchase service, and you cannot withdraw your gains sharing until you terminate work - in which case you are no longer an active member.

Q: When can I start voluntary contributions and what are my investment choices?
A: You cannot make voluntary contributions until a gains sharing account is established for you. Investment options have not been determined yet. We’ll let you know more as soon as possible.

Q: How can I find out more?
A: This new gains sharing plan adds an entirely new component to your PERSI plan and the staff here at PERSI has A LOT of work to do in the coming year to get the new plan going. We need to hire a third-party record keeper, an investment partner (such as Scudder Kemper, our partner for the State of Idaho 401k plan), and more. We will have an extensive educational effort including: presentations on-site at employers, new publications, web-based retirement calculators and more. If there are some questions we can’t answer just yet, please be patient. We are working on it! We will get information out as soon as we possibly can. A good place to look for the most up-to-date info is our website www.persi.state.id.us .



PERSI workshops take the fear out of investing, and show how you can obtain financial success

You see all those adds on TV about investing. You hear about all those people getting rich in the stock market. And you want to get your share too. But maybe you're unsure about investing, or maybe you just don't know how to get started. Or perhaps you've heard of 401(k)s, Deferred Comp and IRAs, but don't think you have enough money to invest. Well, not to worry. PERSI's popular Financial & Retirement Planning Workshops can help show you what it all means, how it works, and how you too can invest for a more financially secure future.

We have two different workshops:

FINANCIAL MANAGEMENT & PLANNING FOR YOUR FUTURE

This workshop, for people who are early to mid-career, covers financial planning, budgeting, basic investment terms and methods, goal setting and more. You'll also learn how to use savings vehicles such as 401(k)s, deferred compensation and IRAs. Cost: \$15 Time: 8:30 am - 4:30 pm. Topics include:

- Setting financial goals & developing action plans
- Investment terms & strategies
- Tools you can use now to start saving
- IRAs, 401(k)s, 403(b)s, deferred compensation
- Budgeting
- PERSI benefits

Classes remaining in 2000:

May 23 – Boise	August 10 – Lewiston
June 15 – Twin Falls	August 17 – Boise
June 23 - Boise	October 18 – Pocatello
June 29 – CDA	October 20 – Boise
July 20 – Idaho Falls	October 26 – CDA

RETIREMENT PLANNING

The key to a comfortable retirement is having a solid financial plan. This workshop, for people within ten years of retirement, will help you integrate your PERSI benefits with other sources of income. You'll start calculating how much money you'll have in retirement from PERSI, Social

Security, investments and other sources. Cost: \$15 Time: 8:30 am - 4:30 pm. Topics include:

- PERSI
 - Estimating your PERSI benefits
 - Optional payment plans
 - How to apply for retirement
- Social Security
- Projecting retirement expenses
- Protecting income against inflation
- Other sources of income during retirement
- Estate Planning, Trusts & Wills

Classes remaining in 2000:

May 24 – Boise	August 9 – Lewiston
June 14 – Twin Falls	August 16 – Boise
June 22 – Boise	August 18 – Boise
June 28 – CDA	October 17 – Pocatello
July 7 – Boise	October 19 – Boise
July 19 – Idaho Falls	October 25 – CDA

REGISTRATION

Workshop registration is easy. Call toll-free 1-800-460-6838 between 9 am and 6 pm, Mountain time, and use your VISA or Mastercard.

About two weeks before your workshop you'll receive a confirmation letter with specific location information. If you need any special accommodations, please let us know.

PAYMENT

In response to member requests, PERSI has greatly reduced the participation fees for the workshops. All workshops are now just \$15 per person! This includes a full day of learning, a comprehensive workbook you may take home, and refreshments. Plus, your spouse or significant other may attend with you free of charge.

PERSI information is always available free of charge. These workshops offer extra information that PERSI alone cannot provide.

ABOUT OUR PRESENTERS

Our presenters have strong backgrounds in financial planning and adult education. They do not sell or endorse any product – their only interest is providing you with high quality financial planning education. A PERSI representative will do a presentation at each class.

PREPARING FOR YOUR WORKSHOP

Bring your Social Security Earnings and Benefits Statement. You can obtain a form to order this statement by calling 1-800-772-1213. After you send in the form, it will take several weeks to receive your Social Security statement.


CANCELLATION POLICY

You may cancel up to seven working days before your workshop to receive a full refund. Workshops may be cancelled for insufficient enrollment.

FOR MORE INFORMATION

If you'd like more information on the workshops, call **1-800-460-6838** between 9 am and 6 pm, Mountain Time.

IDAHO



April 2000

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Costs associated with this publication are available from PERSI in accordance with §60-202, Idaho Code 4-00/62,000

PERSI Social Security Option estimates require *specific* quotes from Social Security

If you're retiring soon, and would like to consider one of PERSI's Social Security options, you will need to get a specific quote from Social Security.

Social Security has reformatted the quotes they provide through the mail. These new quotes do not provide the information we need to correctly calculate the PERSI Social Security options. We need to know what you would receive from Social Security at age 65 - 67 if you quit work before those ages. The quotes they are providing show only what you would receive if you kept working until age 65 - 67.

We strongly suggest that you contact your local Social Security office to get the correct figures. You must ask for an estimate of what you would receive at age 65 - 67, telling them at what age you intend to quit work. 

PERSI forms now available on our website

Many of PERSI's most commonly used member forms are now available on our website at www.persi.state.id.us. This allows you instant access to the forms and expedites your requests.

To use the forms, simply download and print them, fill them in and send them to PERSI. In the future, we will have forms that may be filled out and submitted on-line further saving time.

Forms now available on our website include:

- [Membership Application](#) - filled out by all new employees
- [Request for Separation Benefit Payment](#) - to be completed if you quit work and decide to withdraw your PERSI contributions or transfer them to another employer retirement plan or IRA
- [Address Change](#) - to change your address on file with PERSI

- [PERSI Durable Power of Attorney](#) - to designate an individual to handle your PERSI transactions on your behalf should you become physically or mentally unable to do so
- [Beneficiary Designation and/or Name Change](#) - to change your beneficiaries or to change your name if you become married, divorced etc. You should complete a new beneficiary designation every time there are major changes in your life such as marriage, divorce, death of family member, adoption or birth of a child, etc.
- [Release of Information](#) - authorizes PERSI to release information on your account to spouses, attorneys or whoever you designate
- [Alternate Date of Birth Evidence](#) - if you are ready to retire but can not obtain a Birth Certificate, this explains what other documents may be acceptable evidence

Next time you need a PERSI form, log on to our website. 